

ILLINOIS GAS COMPANY

ILL. C.C. DOCKET NO. 07-0571

TWENTY-NINTH ANNUAL RECONCILIATION OF PGA
GAS REVENUE WITH RELATED COST OF GAS

TWELVE MONTHS ENDED DECEMBER 31, 2007

RESPONDENT'S EXHIBIT 3

ILLINOIS GAS COMPANY

ILL. C.C. DOCKET NO. 07-0571

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INDEPENDENT AUDITOR'S REPORT

Illinois Gas Company
Lawrenceville, Illinois

We have audited the accompanying statements 1 through 9 described in the preceding table of contents of Illinois Gas Company for the year ended December 31, 2007. These statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statements were prepared to present the reconciliation of revenue billed under uniform PGA charges with the adjusted cost of gas incurred of Illinois Gas Company pursuant to the Illinois Commerce Commission's Order 07-0571 dated November 28, 2007 and General Order 212, and is not intended to be a complete presentation of the Company's income and expenses.

In our opinion, the statements referred to above present fairly, in all material respects, the reconciliation of revenue billed under uniform PGA charges with the adjusted cost of gas incurred of Illinois Gas Company for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America and the Illinois Commerce Commission's Order 07-0571 dated November 28, 2007 and General Order 212.

This report is intended solely for the information and use of the Board of Directors and Management of Illinois Gas Company and for filing with the Illinois Commerce Commission and should not be used for any other purpose.

Kemper CPA Group LLP

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

Lawrenceville, Illinois
March 22, 2008

**RECONCILIATION OF REVENUE BILLED UNDER UNIFORM PGA CHARGES
WITH THE ADJUSTED COST OF GAS INCURRED
FOR THE RECONCILIATION PERIOD ENDED DECEMBER 31, 2007**

<u>Line No.</u> (1)	<u>Description</u> (2)	<u>Winter Seasonal Demand</u> (3)	<u>Summer Seasonal Demand</u> (4)	<u>Commodity</u> (5)	<u>Total</u> (6)
1	Unamortized Balance as of 12/31/06 per 2006 Reconciliation	\$0	\$0	\$0	\$0
2	Factor A Adjustments Amortized to Schedule I at 12/31/06 per 2006 Reconciliation	31,202	(47,350)	420,598	404,450
3	Factor O Collected (Refunded) During 2007	0	0	0	0
4	Balance to Be Collected(Refunded) During 2007 From Prior Periods, (Sum of lines 1-3)	31,202	(47,350)	420,598	404,450
5	2007 Recoverable Gas Costs	918,827	448,818	8,022,170	9,389,815
6	2007 PGA Revenues	(948,180)	(350,498)	(8,341,109)	(9,639,787)
7	Pipeline Surcharges (Refunds)	0	0	0	0
8	Other Adjustments	0	0	2,944	2,944
9	Interest	(96)	13	1,185	1,102
10	2007 Under/(Over) Recovery (Sum of lines 5-9)	<u>(29,449)</u>	<u>98,333</u>	<u>(314,810)</u>	<u>(245,926)</u>
11	Under/(Over) Recovery Balance at 12/31/2007 (Line 4 + Line 10)	1,753	50,983	105,788	158,524
12	Factor A Adjustments Amortized to Schedule I at 12/31/2007	1,753	50,983	105,788	158,524
13	Unamortized Balance at 12/31/07 (per Filing truing up actuals for Dec 2007)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
14	Requested Factor O (Line 11 - Line 12 - Line 13)	0	0	0	0

See auditor's report.

WINTER/D INVOICE COST AND ADJUSTMENTS VERSUS RECOVERY OF COSTS FOR SYSTEM GAS, CALENDAR YEAR 2007

Month (1)	(2)	Vendor (3)	Winter Invoice Cost (4)	Commodity Volume MMBtu (5)	Avg Cost Therm (6)	Co Use & Franchise Therm (7)	Co Use & Franchise Cost (8)	Recoverable Cost (9)	Winter Therm (10)	Winter Pga Rate (11)	Prorated Recovery (12)	Rider A FT Revenue (13)	Monthly PGA & Rider A Recovery (14)	Under (Over) Recovery (15)	Adjustments Factor Q (16)	Adjustments Factor A (17)	Adjusted Under (Over) Recovery (18)
Jan	(A)	Texas Gas	\$188,388	198,905	\$0.0952	(9,290)	(\$884)	\$188,514	408,412	\$0.0858	\$34,960.07		\$162,853	\$25,661	\$0	(\$5,716)	\$19,945
Feb	(B)	Texas Gas	171,069	225,456	0.0759	(11,469)	(870)	170,199	1,494,078	0.0856	127,893.08	\$0	232,610	(62,411)	0	(733)	(63,144)
Mar	(B)	Texas Gas	189,358	98,414	0.1925	(4,551)	(876)	188,522	1,111,915	0.1202	133,652.18	0	213,674	(25,152)	0	37,651	12,498
April	(A)	Texas Gas	0	85,187	0.0000	(3,430)	0	0	574,615	0.1978	113,658.85	0	27,791	(27,791)	0	19,945	(7,846)
May	(B)	Texas Gas	0	29,562	0.0000	(423)	0	0	387,420	0.0413	16,000.45	0	(3,798)	3,798	0	(63,145)	(59,347)
June	(A)	Texas Gas	0	26,067	0.0000	(281)	0	0	184,364	(0.0144)	(2,366.84)	0	9,194	(9,194)	0	6,198	(2,996)
July	(B)	Texas Gas	0	25,871	0.0000	(273)	0	0	124,296	0.0475	5,904.06	0	1,734	(1,734)	0	(1,519)	(3,253)
Aug	(A)	Texas Gas	0	23,865	0.0000	(310)	0	0	125,883	0.0083	1,170.71	0	(1,472)	1,472	0	(30,412)	(28,940)
Sep	(B)	Texas Gas	0	29,666	0.0000	(257)	0	0	120,102	(0.0082)	(984.84)	0	(1,877)	1,877	0	(32,052)	(30,176)
Oct	(A)	Texas Gas	0	42,953	0.0000	(932)	0	0	138,132	(0.0091)	(1,257.00)	0	(372)	372	0	(3,253)	(2,881)
Nov	(B)	Texas Gas	183,528	111,279	0.1649	(5,363)	(884)	182,644	360,132	(0.0009)	(324.12)	0	141,240	41,404	0	(28,940)	12,464
Dec	(A)	Texas Gas	189,646	178,625	0.1062	(6,575)	(688)	188,948	821,315	0.1371	112,602.29	0	166,603	22,345	0	(30,175)	(7,830)
Jan	(B)								449,859	0.0987	44,850.94	0	283				1,753
Total			\$923,039	1,075,950		(43,154)	(\$4,212)	\$918,827	9,734,978	0.0997	121,752.54	\$0	\$948,180	(\$29,353)	\$0	(\$132,151)	(\$161,504)

NOTE A: This is the calculated volume of gas delivered on and after the first day of the month to which the current monthly PGA rate is applied.

B: This is the calculated volume of gas in current month's billing, applicable to the prior month's consumption and billed at the prior month's PGA rate.

See auditor's report.

SUMMER/D INVOICE COST AND ADJUSTMENTS VERSUS RECOVERY OF COSTS FOR SYSTEM GAS, CALENDAR YEAR 2007

Month (1)	Vendor (2)	Summer Invoice Cost (4)	Commodity Volume MMBtu (5)	Avg Cost Therm (6)	Co Use & Franchise Therm (7)	Co Use & Franchise Cost (8)	Recoverable Cost (9)	Summer Therm (10)	Summer Pga Rate (11)	Prorated Recovery (12)	Rider A FT Revenue (13)	Monthly PGA & Rider A Recovery (14)	Under (Over) Recovery (15)	Adjustments Factor O (16)	Adjustments Factor A (17)	Adjusted Under (Over) Recovery (18)
Jan	(A) Texas Gas	\$0	198,905	\$0.0000	(9,290)	\$0	\$0	408,412	(\$0.0041)	(\$1,674.49)		(\$8,118)	\$8,118	\$0	(\$45,362)	(\$37,244)
Feb	(B) Texas Gas	0	225,456	0.0000	(11,469)	0	0	1,571,524	(0.0041)	(6,443.25)	\$0	0	0	0	0	(331)
Mar	(A) Texas Gas	0	98,414	0.0000	(4,551)	0	0	1,198,305	0.0000	0.00	0	(226)	226	0	(1,657)	(1,431)
April	(B) Texas Gas	108,989	85,187	0.1279	(3,430)	(439)	108,530	622,996	(0.0002)	(124.60)	0	81,853	26,667	0	(37,244)	(10,577)
May	(A) Texas Gas	41,836	29,562	0.1415	(423)	(60)	41,776	439,618	0.1129	49,632.87	0	35,221	8,555	0	(331)	6,224
June	(B) Texas Gas	40,486	26,087	0.1553	(281)	(44)	40,442	212,591	0.1129	24,001.52	0	38,978	1,463	0	(1,431)	32
July	(A) Texas Gas	41,836	25,871	0.1617	(273)	(44)	41,792	185,504	0.1530	28,382.11	0	33,986	7,806	0	(10,577)	(2,771)
Aug	(B) Texas Gas	41,836	23,865	0.1746	(310)	(54)	41,782	185,397	0.1382	25,621.87	0	45,072	(3,290)	0	3,189	(101)
Sep	(A) Texas Gas	40,486	29,666	0.1365	(257)	(35)	40,451	175,195	0.1921	33,654.96	0	36,222	4,229	0	3,080	7,309
Oct	(B) Texas Gas	134,337	42,953	0.3128	(932)	(292)	134,045	214,005	0.1284	27,478.24	0	79,975	54,070	0	(2,771)	51,299
Nov	(A) Texas Gas	0	111,279	0.0000	(5,363)	0	0	416,319	0.1703	70,898.13	0	0	0	0	(101)	(101)
Dec	(B) Texas Gas	0	178,625	0.0000	(6,575)	0	0	880,366	0.0000	0.00	0	7,524	(7,524)	0	7,309	(215)
Jan	(B)							1,299,932	0.0043	5,589.71	0	12.21		Sum of Jan, Feb, Mar->		50,983
Total		\$449,786	1,075,950		(43,154)	(\$968)	\$448,818	10,493,289		\$350,500.04	\$0	\$350,498	\$98,320	\$0	(\$86,227)	\$12,093

NOTE A: This is the calculated volume of gas delivered on and after the first day of the month to which the current monthly PGA rate is applied.

B: This is the calculated volume of gas in current month's billing, applicable to the prior month's consumption and billed at the prior month's PGA rate.

See auditor's report.

COMMODITY INVOICE COST AND ADJUSTMENTS VERSUS RECOVERY OF COSTS FOR SYSTEM GAS, CALENDAR YEAR 2007

Month (1)	Month (2)	Vendor (3)	Commodity Invoice Cost (4)	Commodity Volume MMBtu (5)	Avg Cost Therm (6)	Co Use & Franchise Therm (7)	Co Use & Franchise Cost (8)	Recoverable Cost (9)	Commodity Therm (10)	Commodity Pkg Rate (11)	Prorated Recovery (12)	Rider A FT Revenue (13)	Monthly PGA & Rider A Recovery (14)	Under (Over) Recovery (15)	Adjustments Factor Q (16)	Adjustments Factor A (17)	Adjusted Under (Over) Recovery (18)
Jan	(A)	Texas Gas & BP	\$1,469,221	198,905	\$0.7387	(9,290)	(\$6,863)	\$1,462,358	408,412	\$0.8482	\$348,415.06	\$0	\$1,679,382	(\$217,024)	\$0	\$189,895	(\$27,128)
Feb	(B)	Texas Gas & BP	1,734,768	225,456	0.7684	(11,469)	(8,824)	1,725,944	1,571,524	0.8482	1,332,966.66	\$0	1,653,855	72,089	0	38,068	110,177
Mar	(A)	Texas Gas & BP	807,702	98,414	0.8207	(4,551)	(3,735)	803,967	1,198,305	0.8181	980,333.32	0	946,022	(142,055)	0	192,615	50,560
April	(B)	Texas Gas & BP	633,851	85,187	0.7441	(3,430)	(2,552)	631,299	822,996	0.8382	522,195.25	0	601,539	29,760	0	(27,129)	2,631
May	(A)	Texas Gas & BP	230,670	29,562	0.7803	(4,23)	(330)	230,340	439,618	0.8296	364,707.09	0	271,132	(40,792)	0	37,593	(3,199)
June	(B)	Texas Gas & BP	203,392	26,067	0.7803	(281)	(219)	203,173	99,378	0.8691	86,369.42	0	202,193	990	0	40,761	41,751
July	(A)	Texas Gas & BP	181,688	25,871	0.7023	(273)	(192)	181,506	212,591	0.7936	147,215.97	0	208,664	(27,158)	0	21,953	(5,206)
Aug	(B)	Texas Gas & BP	138,248	23,965	0.5769	(310)	(179)	138,069	185,504	0.8485	157,309.35	0	168,791	(30,722)	0	31,143	421
Sep	(A)	Texas Gas & BP	118,257	28,866	0.3986	(257)	(102)	118,155	59,433	0.7194	42,756.10	0	205,570	(87,415)	0	35,460	(51,955)
Oct	(B)	Texas Gas & BP	295,039	42,953	0.6869	(932)	(640)	294,399	175,195	0.7287	126,035.28	0	281,629	2,770	0	30,990	33,760
Nov	(A)	Texas Gas & BP	848,503	111,279	0.7625	(5,363)	(4,089)	844,414	214,005	0.6210	155,945.44	0	753,979	90,435	0	421	90,856
Dec	(B)	Texas Gas & BP	1,393,676	178,625	0.7802	(6,575)	(5,130)	1,388,546	416,319	0.6922	609,389.35	0	1,358,363	30,183	0	(51,955)	(21,772)
Jan	(B)								880,366	0.7763	349,225.54	0	2,205				102,844
Total			\$8,055,025	1,075,950		(43,154)	(\$32,855)	\$8,022,170	12,999,932	0.7763	1,008,137.21	\$0	\$8,341,109	(\$318,939)	\$0	\$539,835	\$220,896

NOTE A: This is the calculated volume of gas delivered on and after the first day of the month to which the current monthly PGA rate is applied.

B: This is the calculated volume of gas in current month's billing, applicable to the prior month's consumption and billed at the prior month's PGA rate.

See auditor's report.

ILLINOIS GAS COMPANY
ILL. C.C. DOCKET NO. 07-0571

STATEMENT 5

Winter Seasonal Demand Gas Charge - (Company Version)

ANALYSIS OF SCHEDULE II COSTS/REVENUES FROM JANUARY 2007 - DECEMBER 2007

Month for Which Actual Costs Are Determined	2007 JANUARY October	2007 FEBRUARY November	2007 MARCH December	2007 APRIL January	2007 MAY February	2007 JUNE March	2007 JULY April	2007 AUGUST May	2007 SEPTEMBER June	2007 OCTOBER July	2007 NOVEMBER August	2007 DECEMBER September	2008 JANUARY October	2008 FEBRUARY November	2008 MARCH December	2007 TOTALS
Schedule II																
Line # Winter Demand																
1 Actual Recoverable Costs	0	182,522	188,603	188,514	170,198	188,522	22,791	0	0	0	0	0	0	182,644	188,948	918,826
2 Actual Purchased Gas Recoveries	3,367	179,931	146,092	162,853	232,610	213,674	27,791	(3,798)	9,194	1,734	(1,472)	(1,877)	(372)	141,240	166,603	(948,180)
3 Under/(Over) Recovery	(3,367)	2,591	42,511	25,661	(62,412)	(24,152)	(27,791)	3,798	(9,194)	(1,734)	1,472	1,877	372	41,404	22,345	(29,354)
4 Amount of Factor A Included in Gas Charge Calculation Prior Period (Schedule I)	(2,349)	(3,324)	(4,860)	(5,716)	(733)	37,651	19,945	(63,145)	6,198	(1,519)	(30,412)	(32,052)	(3,253)	(28,940)	(30,175)	(30,175)
5 Amount of Factor O Included in Gas Charge Calculation (Schedule I)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6 Adjusted Under/(Over) Recovery	(5,716)	(733)	37,651	19,945	(63,145)	12,499	(7,846)	(59,347)	(2,956)	(3,253)	(28,940)	(30,175)	(2,881)	12,464	(7,830)	(7,830)
7 Supplier Refunds/Surcharges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7.1 Other Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 Unamortized Balance of Adjustment Factor Including Interest (Previous Filing Month Schedule II)	0	0	0	0	0	0	6,327	0	(29,056)	0	0	0	0	0	0	0
9 Total Adjustments Before Amortization	(5,716)	(733)	37,651	19,945	(63,145)	12,499	(1,519)	(59,347)	(32,052)	(3,253)	(28,940)	(30,175)	(2,881)	12,464	(7,830)	1,753
10 Factor A Amount to Schedule I	(5,716)	(733)	37,651	19,945	(63,145)	6,198	(1,519)	(30,412)	(32,052)	(3,253)	(28,940)	(30,175)	(2,881)	12,464	(7,830)	1,753
11 Unamortized Balance of Factor A	0	0	0	0	0	6,301	0	(28,935)	0	0	0	0	0	0	0	0
12 Unamortized Balance of Factor O	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Total Unamortized Balances	0	0	0	0	0	6,301	0	(28,935)	0	0	0	0	0	0	0	0
14 Interest for 1 Month @ 2.5% Annual Rate	0	0	0	0	0	26	0	(121)	0	0	0	0	0	0	0	(95)
15 Total Unamortized Balances including Interest	0	0	0	0	0	6,327	0	(29,056)	0	0	0	0	0	0	0	0
Winter																
16 Number of Days in Amort Schedule	0	0	0	0	0	61	0	0	0	0	0	0	0	0	0	0
17 Number of Days in Effective Month	31	28	31	30	31	30	31	31	30	31	30	31	31	29	31	31
18 Line 9, Total Adj. Before Amortization	(5,716)	(733)	37,651	19,945	(63,145)	12,499	(1,519)	(59,347)	(32,052)	(3,253)	(28,940)	(30,175)	(2,881)	12,464	(7,830)	1,753
19 Annual Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
20 Effective Month Principal	0	0	0	0	0	6,147	0	(30,160)	0	0	0	0	0	0	0	0
21 Effective Month Interest	0	0	0	0	0	51	0	(252)	0	0	0	0	0	0	0	0
22 Total to Line 10, Factor A	(5,716)	(733)	37,651	19,945	(63,145)	6,198	(1,519)	(30,412)	(32,052)	(3,253)	(28,940)	(30,175)	(2,881)	12,464	(7,830)	1,753

See auditor's report.

ILLINOIS GAS COMPANY
ILL CC DOCKET NO. 07-0371

Summer Seasonal Demand Gas Charge - (Company Version)

STATEMENT 6

ANALYSIS OF SCHEDULE II COSTS/REVENUES FROM JANUARY 2007 - DECEMBER 2007

Month for Which Actual Costs Are Determined	2007 JANUARY 2006 October	2007 FEBRUARY 2006 November	2007 MARCH 2006 December	2007 APRIL 2007 January	2007 MAY 2007 February	2007 JUNE 2007 March	2007 JULY 2007 April	2007 AUGUST 2007 May	2007 SEPTEMBER 2007 June	2007 OCTOBER 2007 July	2007 NOVEMBER 2007 August	2007 DECEMBER 2007 September	2008 JANUARY 2007 October	2008 FEBRUARY 2007 November	2008 MARCH 2007 December	2007 TOTALS
Schedule II																
Line # Summer Demand																
1 Actual Recoverable Costs	133,923	0	0	0	0	0	108,530	41,776	40,442	41,792	41,782	40,451	134,045	0	0	448,818
2 Actual Purchased Gas Recoveries	135,625	(246)	(6,626)	(8,118)	0	(226)	81,863	35,221	38,979	33,986	45,072	36,222	79,925	0	7,524	(350,498)
3 Under/(Over) Recovery	(1,702)	246	6,626	8,118	0	226	(26,667)	(6,555)	(1,463)	(7,806)	(1,290)	(4,229)	(54,079)	0	(7,524)	98,320
4 Amount of Factor A Included in Gas Charge Calculation Prior Period (Schedule I)	(43,660)	(577)	(8,283)	(45,362)	(331)	(1,657)	(37,244)	(331)	(1,431)	(10,577)	3,189	3,080	(2,771)	(101)	7,309	7,309
5 Amount of Factor O Included in Gas Charge Calculation (Schedule I)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6 Adjusted Under/(Over) Recovery	(45,362)	(331)	(1,657)	(37,244)	(331)	(1,431)	(10,577)	6,224	32	(2,771)	(101)	7,309	\$1,299	(101)	(215)	(215)
7 Supplier Refunds/Surcharges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7.1 Other Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 Unamortized Balance of Adjustment Factor Including Interest (Previous Filing Month Schedule II)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Total Adjustments Before Amortization	(45,362)	(331)	(1,657)	(37,244)	(331)	(1,431)	(10,577)	6,224	3,080	(2,771)	(101)	7,309	\$1,299	(101)	(215)	50,983
10 Factor A Amount to Schedule I	(45,362)	(331)	(1,657)	(37,244)	(331)	(1,431)	(10,577)	3,189	3,080	(2,771)	(101)	7,309	\$1,299	(101)	(215)	50,983
11 Unamortized Balance of Factor A	0	0	0	0	0	0	0	3,035	0	0	0	0	0	0	0	0
12 Unamortized Balance of Factor O	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Total Unamortized Balances	0	0	0	0	0	0	0	3,035	0	0	0	0	0	0	0	0
14 Interest for 1 Month @ 2.5% Annual Rate	0	0	0	0	0	0	0	13	0	0	0	0	0	0	0	13
15 Total Unamortized Balances Including Interest	0	0	0	0	0	0	0	3,048	0	0	0	0	0	0	0	0
Supplier																
16 Number of Days in Amort Schedule	31	28	31	30	31	30	31	61	30	31	30	31	31	29	31	0
17 Line 9, Total Adj. Before Amortization	(45,362)	(331)	(1,657)	(37,244)	(331)	(1,431)	(10,577)	6,224	3,080	(2,771)	(101)	7,309	\$1,299	(101)	(215)	50,983
18 Annual Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
19 Effective Month Principal	0	0	0	0	0	0	0	3,163	0	0	0	0	0	0	0	0
20 Effective Month Interest	0	0	0	0	0	0	0	26	0	0	0	0	0	0	0	0
21 Total to Line 10, Factor A	(45,362)	(331)	(1,657)	(37,244)	(331)	(1,431)	(10,577)	3,189	3,080	(2,771)	(101)	7,309	\$1,299	(101)	(215)	50,983

See auditor's report

ILLINOIS GAS COMPANY
ILL. C.C. DOCKET NO. 07-0571

STATEMENT 7

Commodity Gas Charge - (Company Version)

ANALYSIS OF SCHEDULE II COSTS/REVENUES FROM JANUARY 2007 - DECEMBER 2007

Month for Which Actual Costs Are Determined	JANUARY 2007	FEBRUARY 2007	MARCH 2007	APRIL 2007	MAY 2007	JUNE 2007	JULY 2007	AUGUST 2007	SEPTEMBER 2007	OCTOBER 2007	NOVEMBER 2007	DECEMBER 2007	JANUARY 2008	FEBRUARY 2008	MARCH 2008	TOTALS
Schedule II																
1 Actual Recoverable Costs	534,814	944,337	1,322,568	1,462,358	1,725,944	803,967	631,299	230,340	203,173	181,506	138,069	118,155	294,399	844,414	1,388,546	8,022,170
2 Actual Purchased Gas Recoveries	408,817	852,395	1,234,829	1,679,382	1,653,855	946,022	601,539	271,132	202,183	208,664	168,791	205,570	291,629	753,929	1,358,363	(8,341,109)
3 Under/(Over) Recovery	125,997	92,142	87,669	(217,024)	72,089	(142,055)	29,760	(40,792)	990	(27,158)	(30,722)	(87,415)	2,770	90,485	30,183	(318,959)
4 Amount of Factor A Included in Gas Charge Calculation Prior Period (Schedule I)	20,672	27,464	23,013	189,895	38,088	192,615	(27,129)	37,593	40,761	21,953	31,143	35,460	30,990	421	(51,955)	(51,955)
5 Amount of Factor O Included in Gas Charge Calculation Prior Period (Schedule I)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6 Adjusted Under/(Over) Recovery	146,669	119,606	110,682	(27,129)	110,177	50,560	2,631	(3,199)	41,751	(5,205)	421	(51,955)	33,760	90,856	(21,772)	(21,772)
7 Supplier Refunds/Surcharges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7.1 Other Adjustments	0	0	75	0	0	0	0	0	0	0	0	0	0	0	2,944	(2,944)
8 Unamortized Balance of Adjustment Factor Including Interest (Previous Filing Month Schedule II)	43,226	0	81,858	(27,129)	0	72,886	83,030	63,973	29,754	36,195	0	0	0	0	0	0
9 Total Adjustments Before Amortization	189,895	119,606	192,615	(27,129)	110,177	123,446	83,661	60,774	71,505	30,990	421	(51,955)	33,760	90,856	(18,828)	105,788
10 Factor A Amount to Schedule I	189,895	38,088	192,615	(27,129)	37,593	40,761	21,953	31,143	35,460	30,990	421	(51,955)	33,760	90,856	(18,828)	105,788
11 Unamortized Balance of Factor A	0	81,518	0	0	72,584	82,685	63,708	29,631	36,045	0	0	0	0	0	0	0
12 Unamortized Balance of Factor O	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Total Unamortized Balances	0	81,518	0	0	72,584	82,685	63,708	29,631	36,045	0	0	0	0	0	0	0
14 Interest for 1 Month @ 2.5% Annual Rate	0	340	0	0	302	345	265	123	150	0	0	0	0	0	0	1,185
15 Total Unamortized Balances including Interest	0	81,858	0	0	72,886	83,030	63,973	29,754	36,195	0	0	0	0	0	0	0

Commodity

16 Number of Days in Amort Schedule	0	89	0	0	92	92	123	61	61	0	0	0	0	0	0	0
17 Number of Days in Effective Month	31	28	31	30	31	30	31	31	30	31	30	31	31	29	31	31
18 Line 9, Total Adj. Before Amortization	189,895	119,606	192,615	(27,129)	110,177	123,446	85,661	60,774	71,505	30,990	421	(51,955)	33,760	90,856	(18,828)	105,788
19 Annual Interest Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
20 Effective Month Principal	0	37,629	0	0	37,125	40,254	21,389	30,885	35,166	0	0	0	0	0	0	0
21 Effective Month Interest	0	459	0	0	468	507	364	258	294	0	0	0	0	0	0	0
22 Total to Line 10, Factor A	189,895	38,088	192,615	(27,129)	37,593	40,761	21,953	31,143	35,460	30,990	421	(51,955)	33,760	90,856	(18,828)	105,788

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Effective Month	Description	Prior Year Adjustment	Prior Year Under/Over	2007 Adjustment	Texas Gas Returns	2007 Adjusted Under/Over	Sub Total	Prior Month Unmort Balance	Total	Factor Q	Interest in Factor Q	Calculated Factor A	Factor A Less Interest	Interest Included Factor A	Unmort Balance	Sch 2 Interest Unmort Balance	Total Unmort Balance
Winter	Winter Demand																
	Oct Under (Over)	\$0	(\$5,716)	\$0	\$0	\$0	(\$5,716)	\$0	\$0	\$0	\$0	(\$5,716)	(\$5,716)	\$0	\$0	\$0	\$0
	Nov Under (Over)	0	(733)	0	0	0	(733)	0	0	0	0	(733)	(733)	0	0	0	0
	Dec Under (Over)	0	37,651	0	0	0	37,651	0	37,651	0	0	37,651	37,651	0	0	0	0
	Jan Under (Over)	0	0	0	19,945	0	19,945	0	19,945	0	0	19,945	19,945	0	0	0	0
	Feb Under (Over)	0	0	0	(63,145)	0	(63,145)	0	(63,145)	0	0	(63,145)	(63,145)	0	0	0	0
	Mar Under (Over)	0	0	0	12,499	0	12,499	0	12,499	0	0	12,499	12,499	0	0	0	0
	Apr Under (Over)	0	0	0	(7,846)	0	(7,846)	0	(7,846)	0	0	(7,846)	(7,846)	51	26	6,327	0
	May Under (Over)	0	0	0	(59,347)	0	(59,347)	0	(59,347)	0	0	(59,347)	(59,347)	0	0	0	0
	June Under (Over)	0	0	0	(2,998)	0	(2,998)	0	(2,998)	0	0	(2,998)	(2,998)	0	0	0	0
	Sept Under (Over)	0	0	0	(3,253)	0	(3,253)	0	(3,253)	0	0	(3,253)	(3,253)	0	0	0	0
	Oct Under (Over)	0	0	0	(28,940)	0	(28,940)	0	(28,940)	0	0	(28,940)	(28,940)	0	0	0	0
Nov	Nov Under (Over)	0	0	0	(30,175)	0	(30,175)	0	(30,175)	0	0	(30,175)	(30,175)	0	0	0	0
	Dec Under (Over)	0	0	0	(2,881)	0	(2,881)	0	(2,881)	0	0	(2,881)	(2,881)	0	0	0	0
	Jan Under (Over)	0	0	0	12,464	0	12,464	0	12,464	0	0	12,464	12,464	0	0	0	0
	Feb Under (Over)	0	0	0	(7,830)	0	(7,830)	0	(7,830)	0	0	(7,830)	(7,830)	0	0	0	0
Mar	Totals	0	31,202	0	Factor A Adjustments Amortized to Schedule 1 at 12/31/2006	0	(161,505)	(22,729)	(153,032)	0	0	(130,398)	(122,367)	(201)	(22,634)	(95)	(22,729)
			31,202										1,753	<Oct, Nov & Dec			
Summer	Summer Demand																
	Oct Under (Over)	\$0	(\$45,362)	\$0	\$0	\$0	(\$45,362)	\$0	\$0	\$0	\$0	(\$45,362)	(\$45,362)	\$0	\$0	\$0	\$0
	Nov Under (Over)	0	(331)	0	0	0	(331)	0	0	0	0	(331)	(331)	0	0	0	0
	Dec Under (Over)	0	(1,657)	0	0	0	(1,657)	0	(1,657)	0	0	(1,657)	(1,657)	0	0	0	0
	Jan Under (Over)	0	0	0	(37,244)	0	(37,244)	0	(37,244)	0	0	(37,244)	(37,244)	0	0	0	0
	Feb Under (Over)	0	0	0	(331)	0	(331)	0	(331)	0	0	(331)	(331)	0	0	0	0
	Mar Under (Over)	0	0	0	(1,431)	0	(1,431)	0	(1,431)	0	0	(1,431)	(1,431)	0	0	0	0
	Apr Under (Over)	0	0	0	(10,577)	0	(10,577)	0	(10,577)	0	0	(10,577)	(10,577)	0	0	0	0
	May Under (Over)	0	0	0	6,224	0	6,224	0	6,224	0	0	6,224	6,224	0	0	0	0
	June Under (Over)	0	0	0	32	0	32	0	32	0	0	32	32	26	13	3,048	0
	Sept Under (Over)	0	0	0	(2,771)	0	(2,771)	0	(2,771)	0	0	(2,771)	(2,771)	0	0	0	0
	Oct Under (Over)	0	0	0	(101)	0	(101)	0	(101)	0	0	(101)	(101)	0	0	0	0
Nov	Nov Under (Over)	0	0	0	7,309	0	7,309	0	7,309	0	0	7,309	7,309	0	0	0	0
	Dec Under (Over)	0	0	0	51,299	0	51,299	0	51,299	0	0	51,299	51,299	0	0	0	0
	Jan Under (Over)	0	0	0	(101)	0	(101)	0	(101)	0	0	(101)	(101)	0	0	0	0
	Feb Under (Over)	0	0	0	(215)	0	(215)	0	(215)	0	0	(215)	(215)	0	0	0	0
Mar	Totals	0	(47,350)	0	Factor A Adjustments Amortized to Schedule 1 at 12/31/2006	0	(35,257)	3,048	(32,209)	0	0	(35,244)	(35,055)	26	3,035	13	3,048
			(47,350)									(35,244)	(35,055)	26	3,035	13	3,048
Commodity	Commodity																
	Oct Under (Over)	\$0	\$146,669	\$0	\$0	\$0	\$146,669	\$43,226	\$189,895	\$0	\$0	\$189,895	\$189,895	\$0	\$0	\$0	\$0
	Nov Under (Over)	0	119,606	0	0	0	119,606	0	119,606	0	0	119,606	119,606	459	81,518	340	81,858
	Dec Under (Over) & Matching /	75	110,682	0	0	0	110,757	81,858	192,615	0	0	192,615	192,615	0	0	0	0
	Jan Under (Over)	0	0	0	0	(27,129)	(27,129)	0	(27,129)	0	0	(27,129)	(27,129)	0	0	0	0
	Feb Under (Over)	0	0	0	0	110,177	110,177	0	110,177	0	0	110,177	110,177	0	0	0	0
	Mar Under (Over)	0	0	0	0	50,560	50,560	0	50,560	0	0	50,560	50,560	0	0	0	0
	Apr Under (Over)	0	0	0	0	2,631	2,631	0	2,631	0	0	2,631	2,631	0	0	0	0
	May Under (Over)	0	0	0	0	(3,189)	(3,189)	0	(3,189)	0	0	(3,189)	(3,189)	0	0	0	0
	June Under (Over)	0	0	0	0	83,030	83,030	0	83,030	0	0	83,030	83,030	0	0	0	0
	July Under (Over)	0	0	0	0	38,973	38,973	0	38,973	0	0	38,973	38,973	0	0	0	0
	Sept	Sept Under (Over)	0	0	0	0	41,751	41,751	29,754	71,505	0	0	71,505	71,505	258	29,631	123
Oct Under (Over)		0	0	0	0	(5,205)	(5,205)	36,195	30,990	0	0	30,990	30,990	294	36,045	150	36,195
Nov Under (Over)		0	0	0	0	421	421	0	421	0	0	421	421	0	0	0	0
Dec Under (Over)		0	0	0	0	(51,955)	(51,955)	0	(51,955)	0	0	(51,955)	(51,955)	0	0	0	0
Nov	Nov Under (Over)	0	0	0	0	33,760	33,760	0	33,760	0	0	33,760	33,760	0	0	0	0
	Dec Under (Over)	0	0	0	0	90,856	90,856	0	90,856	0	0	90,856	90,856	0	0	0	0
	Jan Under (Over)	0	0	0	0	(21,772)	(18,828)	0	(18,828)	0	0	(18,828)	(18,828)	0	0	0	0
	Feb Under (Over)	0	2,944	0	2,944	0	2,944	0	2,944	0	0	2,944	2,944	0	0	0	0
Mar	Totals	75	376,957	0	Factor A Adjustments Amortized to Schedule 1 at 12/31/2006	0	600,872	410,922	1,011,794	0	0	(645,623)	643,273	1,991	366,171	1,185	367,896
			377,032									105,788	<Oct, Nov & Dec	Total Interest	366,171	1,103	367,896
																	G. Total
																	2,819

SUMMARY OF PURCHASED GAS ADJUSTMENT CHARGES

FROM JANUARY 1, 2007 TO DECEMBER 31, 2007

<u>Effective Date</u>	<u>Winter/D PGA Rate</u>	<u>Summer/D PGA Rate</u>	<u>Commodity PGA Rate</u>	<u>Total PGA Rate</u>
January 1st	\$0.0856	(\$0.0041)	\$0.8482	\$0.9297
February 1st	0.1202	0.0000	0.8181	0.9383
March 1st	0.1978	(0.0002)	0.8382	1.0358
April 1st	0.0413	0.1129	0.8296	0.9838
May 1st	(0.0144)	0.1129	0.8691	0.9676
June 1st	0.0475	0.1530	0.7936	0.9941
July 1st	0.0093	0.1382	0.8485	0.9960
August 1st	(0.0082)	0.1921	0.7194	0.9033
September 1st	(0.0091)	0.1284	0.7287	0.8480
October 1st	(0.0009)	0.1703	0.6210	0.7904
November 1st	0.1371	0.0000	0.6922	0.8293
December 1st	0.0997	0.0043	0.7763	0.8803

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